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C O N F I D E N T I A L KUWAIT 004389

SIPDIS

STATE FOR NEA/ARPI, EB/ESC FOR GALLOGLY

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TAGS: [EPET](#) [ENRG](#) [PREL](#) [KU](#) [CH](#) [IT](#)

SUBJECT: CHINA AND ITALY TO STORE KUWAIT'S STRATEGIC
RESERVE; GOK SEEKS THIRD LOCATION

Classified By: Ambassador Richard LeBaron for reasons 1.4 (b) and (d)

1. (C) A senior advisor to Prime Minister Shaykh Sabah Al-Ahmed Al-Sabah told Poloff on December 15 that Kuwait had concluded an agreement with China -- reportedly through a China-based Chevron subsidiary -- for the storage of part of its foreign-based "Strategic Petroleum Reserve," (SPR) bolstering apparently existing storage capacity in Italy. He said the GOK was "looking for a third location" and was considering the possibility of approaching the United States about storing part of the SPR in Alaska. The advisor said the PM may raise the issue during his planned January or February visit to the U.S. (Note: The advisor added that a formal visit request will be forthcoming shortly. End Note.)

2. (C) The advisor was unable to provide numbers on the size of the reserve, but said it was created by PM Shaykh Sabah as a buffer to potential supply disruptions "should there be any problems in the Straits of Hormuz."

3. (C) Comment: Kuwait maintains a domestic SPR, but this is the most detailed description of a foreign-based SPR that post has been privy to to date. The decision to store part of the reserves in China makes both strategic and economic sense; the PM has repeatedly stated his intent to realign Kuwait's economy towards Asia, where demand for petroleum products is expected to grow exponentially and indefinitely.
LEBARON